

Town of Vermilion

2008

MUNICIPAL FINANCIAL STATEMENT

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MUNICIPALITY: TOWN OF VERMILION
 FOR THE YEAR ENDED DECEMBER 31,
 2008



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AUDITORS' REPORT

To the Members of Council:

We have audited the consolidated statement of financial position of the Town of Vermilion as at December 31, 2008 and the statements of operating fund activities, capital fund activities, change in fund balance, equity in capital assets and reserves and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lloydminster, Alberta

March 25, 2009

Leckie & Associates
 Chartered Accountants

TOWN OF VERMILION

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008**

	2008	2007
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	5,106,304	4,224,596
Taxes and grants in lieu receivable (Note 3)	28,558	74,865
Receivables from other governments	178,183	158,939
Trade and other receivables	1,153,647	1,721,898
Prepaid expenses	36,510	45,719
Land inventory held for resale	1,330,101	719,512
Debt charges recoverable (Note 4)	1,072,545	1,199,635
Investments (Note 5)	1,161,952	1,424,552
Other long-term assets	6,685	5,545
Total financial assets	<u>10,074,485</u>	<u>9,575,261</u>
PHYSICAL ASSETS		
Inventory for consumption (Note 6)	99,653	76,883
Capital assets (Note 7)	51,060,728	48,336,287
Total physical assets	<u>51,160,381</u>	<u>48,413,170</u>
TOTAL ASSETS	<u><u>61,234,866</u></u>	<u><u>57,988,431</u></u>
LIABILITIES		
LIABILITIES		
Accounts payable and accrued liabilities	744,510	1,581,102
Deposits on hand	6,880	1,320
Deferred revenue	153,852	153,391
Long term debt (Note 8)	3,582,948	3,830,619
Total liabilities	<u>4,488,190</u>	<u>5,566,432</u>
MUNICIPAL EQUITY		
FUND BALANCES		
Operating fund accumulated surplus	1,854,918	1,835,093
Land development accumulated surplus (Notes 9)	267,883	280,448
Capital reserves (Note 11)	4,488,967	3,579,283
Operating reserves (Note 11)	1,584,582	1,021,871
Total fund balances	<u>8,196,350</u>	<u>6,716,695</u>
EQUITY IN CAPITAL ASSETS	<u>48,550,326</u>	<u>45,705,304</u>
	<u>56,746,676</u>	<u>52,421,999</u>
TOTAL LIABILITIES AND MUNICIPAL EQUITY	<u><u>61,234,866</u></u>	<u><u>57,988,431</u></u>

SIGNED ON BEHALF OF COUNCIL:

MAYOR

DEPUTY MAYOR

TOWN OF VERMILION

STATEMENT OF OPERATING FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
GENERAL OPERATING REVENUE		
Net taxes available for municipal purposes (Page 8)	3,303,919	2,864,657
Franchise fees	211,518	192,620
Penalties and costs	19,453	20,801
Return on investments	173,578	232,800
Dividends	4,319	1,798
Other revenue	3,329	2,947
Unconditional grants	13,594	13,594
Conditional Grant	256,100	30,090
Total general operating revenue	<u>3,985,810</u>	<u>3,359,307</u>
REVENUE		
General administration	237,222	244,800
Other general government	7,115	12,166
Police	56,843	71,648
Fire	71,533	62,567
Ambulance and first aid	275,418	194,369
Bylaw enforcement	16,444	17,954
Common services	16,627	5,063
Roads, streets, walks and lighting	169,920	151,829
Airport	5,147	5,402
Water supply and distribution	991,103	1,002,503
Wastewater treatment and disposal	238,190	226,796
Waste management	595,246	594,336
Family and community support	138,502	123,657
Cemeteries and crematoriums	22,612	32,959
Other public health and welfare	85,112	735
Land use planning, zoning and development	22,154	13,827
Subdivision land and development	1,204,566	325,742
Recreation board	152,247	127,141
Parks and recreation	366,966	272,915
Culture	44,574	101,196
	<u>4,717,541</u>	<u>3,587,605</u>
TOTAL OPERATING REVENUE	<u>8,703,351</u>	<u>6,946,912</u>

TOWN OF VERMILION

STATEMENT OF OPERATING FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
TOTAL OPERATING REVENUE	<u>8,703,351</u>	<u>6,946,912</u>
EXPENDITURES		
Council and other legislative	165,786	122,766
General administration	835,987	758,086
Other general government	158,842	153,475
Police	36,918	37,419
Fire	155,333	144,429
Disaster and emergency measures	1,476	243
Ambulance and first aid	371,023	223,497
Bylaw enforcement	76,695	73,495
Common services	49,590	80,287
Roads, streets, walks and lighting	802,864	705,500
Airport	17,856	25,061
Storm sewers and drainage	15,572	63,917
Water supply and distribution	640,912	625,085
Wastewater treatment and disposal	200,622	200,531
Waste management	503,019	482,828
Environmental Use and Protection	3,472	-
Family and community support	140,693	143,194
Cemeteries and crematoriums	31,763	25,368
Public health and welfare	54,990	1,132
Land use planning, zoning and development	82,661	88,343
Economic development	107,586	96,659
Subdivision land & development	418,756	130,978
Land, housing and building rentals	3,013	-
Recreation board	151,401	138,118
Parks and recreation	842,886	695,683
Culture and library	336,909	293,660
	<u>6,206,625</u>	<u>5,309,754</u>
NET OPERATING REVENUE BEFORE TRANSFERS	2,496,726	1,637,158
TRANSFERRED TO CAPITAL FUND	(1,724,129)	(1,627,232)
TRANSFERRED (TO) FROM OPERATING RESERVES	(562,711)	334,203
LONG TERM DEBT REPAYMENT	<u>(207,206)</u>	<u>(340,861)</u>
NET SURPLUS FOR THE YEAR	2,680	3,268
BALANCE, BEGINNING OF YEAR	1,835,093	1,895,741
PRIOR PERIOD ADJUSTMENTS	4,580	(118,363)
TRANSFER COST OF LAND SALES FROM LAND DEVELOPMENT ACCUMULATED SURPLUS (Notes 9)	<u>12,565</u>	<u>54,447</u>
BALANCE, END OF YEAR	<u>1,854,918</u>	<u>1,835,093</u>

TOWN OF VERMILION

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**STATEMENT OF CAPITAL FUND ACTIVITIES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
REVENUE		
Federal Government transfers	121,916	136,845
Provincial Government transfers (Note 16)	1,549,145	2,595,142
Local Government transfers	1,000	-
Proceeds from sale of capital assets	31,676	30,373
Other revenue	206,051	451,676
Total revenue	<u>1,909,788</u>	<u>3,214,036</u>
EXPENDITURES		
Land held for government use	-	60,000
Buildings	130,625	4,589,258
Engineering structures	2,265,936	2,580,427
Machinery, equipment and furnishings	249,933	390,789
Vehicles	164,364	153,582
Total expenditures	<u>2,810,858</u>	<u>7,774,056</u>
EXCESS (DEFICIENCY) OF CAPITAL REVENUE OVER EXPENDITURES	(901,070)	(4,560,020)
NET INTER-FUND TRANSFERS		
To Reserves	(909,684)	703,740
From Operating Fund	1,724,129	1,627,232
Long term debt issued	86,625	2,229,048
	<u>901,070</u>	<u>4,560,020</u>
CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>-</u></u>	<u><u>-</u></u>

TOWN OF VERMILION

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**STATEMENT OF EQUITY IN CAPITAL ASSETS AND RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
EQUITY IN CAPITAL ASSETS		
Balance, beginning of year	45,705,304	39,988,850
Add: Additions to capital assets	2,810,858	7,774,056
Add: Principal payments of long term debt	207,206	340,862
Less: Disposals of capital assets, at cost	(86,417)	(169,416)
Less: Long-term debt advances	(86,625)	(2,229,048)
	<u>48,550,326</u>	<u>45,705,304</u>
 RESERVES		
CAPITAL		
Balance, beginning of year	3,579,283	4,283,023
Add: Transfers from capital fund	2,889,811	2,254,434
Less: Transfers to capital fund	(1,980,128)	(2,958,174)
	<u>4,488,966</u>	<u>3,579,283</u>
 OPERATING		
Balance, beginning of year	1,021,871	1,237,711
Add: Transfers from operating fund	1,510,295	587,817
Less: Transfers to operating fund	(947,584)	(803,657)
	<u>1,584,582</u>	<u>1,021,871</u>

TOWN OF VERMILION

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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES		
OPERATING ACTIVITIES		
Net Operating Revenue before Transfers (Page 4)	2,496,726	1,637,158
Prior period adjustment	4,580	
Capital Revenues (Deficiency) over Expenditures (Page 5)	(901,070)	(4,560,020)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in lieu receivables	46,307	15,779
Decrease (increase) in receivables from other governments	(19,244)	121,848
Decrease (increase) in trade and other receivables	568,251	(427,668)
Decrease (increase) in prepaid expenses	9,209	2,158
Decrease (increase) in land inventory held for resale	(610,589)	(201,254)
Decrease (Increase) in inventory for consumption	(22,770)	56,690
Increase (decrease) in accounts payable and accrued liabilities	(836,592)	659,297
Increase (decrease) in deposit liabilities	5,560	840
Increase (decrease) in deferred revenue	461	(1,221,611)
Cash from operating activities	<u>740,829</u>	<u>(3,916,783)</u>
INVESTING ACTIVITIES		
Redemption of investments	262,600	659,100
Increase in other long-term assets	(1,140)	(580)
Cash from investing activities	<u>261,460</u>	<u>658,520</u>
FINANCING ACTIVITIES		
Long-term debt issued	86,625	2,229,048
Long term debt repaid	(207,206)	(340,861)
Cash for financing activities	<u>(120,581)</u>	<u>1,888,187</u>
TOTAL INCREASE (DECREASE) IN CASH	881,708	(1,370,076)
CASH AT BEGINNING OF YEAR	<u>4,224,596</u>	<u>5,594,672</u>
CASH AT END OF YEAR	<u>5,106,304</u>	<u>4,224,596</u>
Cash is comprised of:		
Cash	1,079,376	630,776
Term deposits	4,026,928	3,593,820
	<u>5,106,304</u>	<u>4,224,596</u>

TOWN OF VERMILION

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**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
TAXATION		
Property taxes		
- residential land and improvements	3,025,150	2,678,152
- non-residential land and improvements	988,886	960,505
- machinery and equipment	16,467	13,358
- linear property	214,676	197,999
- railway	2,208	2,336
- farmland	11,534	13,072
Grants in lieu		
- federal	9,008	8,396
- provincial	97,026	101,134
Total taxation	<u>4,364,955</u>	<u>3,974,952</u>
REQUISITIONS AND TRANSFERS		
Alberta School Foundation Fund	886,923	934,342
East Central AB Catholic Separate Schools Regional Division No. 16	174,113	175,953
Total requisitions and transfers	<u>1,061,036</u>	<u>1,110,295</u>
NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	<u>3,303,919</u>	<u>2,864,657</u>

TOWN OF VERMILION

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
FEDERAL TRANSFERS		
Shared-cost agreements and grants	119,300	151,230
PROVINCIAL TRANSFERS		
Shared-cost agreements and grants	2,071,554	2,838,107
LOCAL GOVERNMENT TRANSFERS		
Shared-cost agreements and grants	641,325	541,093
	<u>2,832,179</u>	<u>3,530,430</u>

TOWN OF VERMILION

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**SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
Salaries, wages and benefits	2,304,967	2,059,054
Contracted and general services	2,412,132	1,273,146
Purchases from other governments	1,395	800
Materials, goods, supplies and utilities	667,168	1,230,576
Transfers to other governments	303,966	290,299
Transfers to individuals and organizations	168,392	165,869
Bank charges and short term interest	2,671	2,727
Interest on capital long term debt	184,411	142,524
Other expenditures	161,523	144,759
Capital assets acquired	2,810,858	7,774,056
	<u>9,017,483</u>	<u>13,083,810</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Vermilion are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of these accounting policies are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are therefore accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality is the following:

Vermilion Public Library

The schedule of taxes levied also includes requisitions for education, health care, social and other external organizations that are not part of the municipal entity.

Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. **SIGNIFICANT ACCOUNTING POLICIES - continued**

Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value.

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function. When land is sold, the inventory balance is reduced with an offsetting adjustment to equity in capital assets.

Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Capital Assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets are recorded at cost except for donated assets, which are reported at estimated fair value. Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related asset costs. Capital assets for government purposes are not depreciated.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings. In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

TOWN OF VERMILION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements.

Capital Fund

Capital fund represents the amounts available to finance capital projects.

Reserve Fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

Equity in Capital Assets

Equity in capital assets represents the Town's net investment in its total capital assets, land held for resale and other capital assets, after deducting the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowing, capitalized leases and other capital liabilities which will be repaid by the municipality.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2008</u>	<u>2007</u>
Cash	1,079,376	630,776
Temporary investments	<u>4,026,928</u>	<u>3,593,820</u>
	<u>5,106,304</u>	<u>4,224,596</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$2,109,462 (2007 \$1,885,387) of funds that are restricted in use.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2008</u>	<u>2007</u>
Current taxes and grants in lieu	25,116	53,495
Tax arrears and grants in lieu	<u>8,442</u>	<u>26,370</u>
	<u>33,558</u>	79,865
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>28,558</u>	<u>74,865</u>

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

4. DEBT CHARGES RECOVERABLE

	<u>2008</u>	<u>2007</u>
Current debt charges recoverable	75,447	127,090
Non-current debt charges recoverable	<u>997,098</u>	<u>1,072,545</u>
	<u>1,072,545</u>	<u>1,199,635</u>

The Town of Vermilion has undertaken a joint development project with the Vermilion and District Housing Foundation. The Town assumed long-term financing totaling \$400,000 in 1999 and \$1,340,000 in 2004; however, a total of \$1,740,000 plus interest at rates of 5.875% and 4.951% per annum will be recovered from the Vermilion and District Housing Foundation with respect to this financing. Amounts are recoverable in annual instalments of \$127,626 including interest, and mature in 2019.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	75,447	52,179	127,626
2010	79,228	48,398	127,626
2011	83,200	44,426	127,626
2012 and subsequent	<u>834,670</u>	<u>186,339</u>	<u>998,794</u>
	<u>1,072,545</u>	<u>331,342</u>	<u>1,403,887</u>

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from 2.25% to 5.10% per annum, with maturity dates between 2009 and 2012.

6. INVENTORY FOR CONSUMPTION

	<u>2008</u>	<u>2007</u>
Sand and gravel	31,730	11,705
Water materials	40,106	40,177
Water Chemical	3,311	11,444
Sewer materials	8,676	4,165
Storm Sewer material	10,175	5,207
Stadium Concession	5,298	4,185
Regional Centre Supplies	<u>357</u>	<u> </u>
	<u>99,653</u>	<u>76,883</u>

TOWN OF VERMILION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

7. CAPITAL ASSETS

	<u>2008</u> <u>Cost</u>	<u>2007</u> <u>Cost</u>
Land	326,344	326,344
Buildings	11,126,005	11,010,380
Engineering structures	33,542,335	31,276,398
Equipment and furnishings	3,844,208	3,600,475
Vehicles	<u>2,221,836</u>	<u>2,122,689</u>
	<u>51,060,728</u>	<u>48,336,286</u>

8. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Tax supported debentures	<u>3,582,948</u>	<u>3,830,619</u>

The current portion of the long-term debt amounts to \$281,156 (2008 - \$207,206).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	281,156	171,448	452,604
2010	283,866	157,268	441,134
2011	259,868	144,097	403,965
2012 and subsequent	<u>2,758,058</u>	<u>702,650</u>	<u>3,460,708</u>
	<u>3,582,948</u>	<u>1,175,463</u>	<u>4,758,411</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 4.264% to 6.375% per annum, and matures in periods 2009 through 2023. The average annual interest rate is 5.084% for 2008 (2007 – 5.1643%). Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$184,411 (2007 - \$142,524).

The Town's total cash payment for interest in 2008 was \$189,738 (2007 - \$148,392).

9. LAND DEVELOPMENT ACCUMULATED SURPLUS

This balance is a result of a change in accounting policy, adjusting land inventory held for resale from a capital asset to an operating asset. It consists of equity in land inventory held for resale, and will be depleted and transferred to the operating fund accumulated surplus as land inventory, that was held at December 31, 2004, is sold.

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

10. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Vermilion be disclosed as follows:

	<u>2008</u>	<u>2007</u>
Total debt limit	12,253,239	11,143,590
Total debt	<u>3,582,948</u>	<u>3,830,619</u>
Amount of debt limit unused	<u>8,670,291</u>	<u>7,312,971</u>
Debt servicing limit	2,042,206	1,857,265
Debt servicing	<u>452,604</u>	<u>513,403</u>
Amount of debt servicing limit unused	<u>1,583,602</u>	<u>1,343,862</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. RESERVES

Reserves for operating and capital activities changed as follows:

	2008			2007
	Increases	Decreases	Balance	Balance
Capital reserves	<u>3,120,998</u>	<u>2,211,314</u>	<u>4,488,967</u>	<u>3,579,283</u>
Operating reserves	<u>1,598,874</u>	<u>1,036,163</u>	<u>1,584,582</u>	<u>1,021,871</u>

12. CONTINGENCIES

The Town of Vermilion is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of Vermilion could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

13. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers, as required by Alberta Regulation 313/2000 is as follows:

	2008			2007
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Judy Woyewitka				18,646
Bruce Marriott	27,080	720	27,800	13,969
Councillors				
Ben Bosgra	12,900	252	13,152	6,428
John Brecknock				8,034
Linda Jacejko	17,140	822	17,962	
Richard Lavoie	19,760	479	20,239	14,769
Ryan Leahy	15,080	324	15,404	1,410
Clinton McCullough	18,435	435	18,870	3,631
Mike Odynski				12,180
Richard Yaceyko	16,685	377	17,062	8,364
Town Manager				
Robert Watt	106,980	16,838	123,818	118,014
Director Fin & Admin				
Denise MacDonald	81,038	13,995	95,033	90,918
Director Eng & Pub Wrks				
Roch Blaskovits	61,956	11,198	73,154	
Director Eng & Pub Wrks				
Dean Litke				68,845
Director Community Serv				
Dion Pollard	77,693	13,622	91,315	86,184

- (a) Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (c) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Vermilion participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 179,188 people and 407 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

14. LOCAL AUTHORITIES PENSION PLAN - continued

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town of Vermilion is required to make current service contributions to the LAPP of 7.75% (2007 - 7.75%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% (2007 - 10.64%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 6.75% (2007 - 6.75%) of pensionable salary up to the year's maximum pensionable salary and 9.64% (2007 - 9.64%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2008 were \$121,244 (2007 - \$111,939). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2008 were \$106,548 (2007 - \$98,303).

At December 31, 2007, the LAPP disclosed an actuarial deficiency of \$1,183,334.

15. COMMITMENTS

The Town of Vermilion is committed to pay fifty percent of the annual deficit incurred in operating the swimming pool to a maximum of \$40,000 or such other amount that the Town may authorize by resolution of Town of Council for a period of twenty years, expiring in 2010. The current allocation is \$69,000 (2007 - \$63,750).

16. LANDFILL CLOSURE

During the year 2003, the Town of Vermilion closed its landfill site. Post-closure procedures, including site clean up and cell capping, took place during the year 2004. Landscaping and reclamation took place in 2005, at cost of \$5,421. Engineered monitoring of the site takes place annually with the 2008 cost of \$10,567.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposits on hand and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in lieu receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

TOWN OF VERMILION

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.